

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State WASHINGTON

DSHS will not exceed the DSH statewide allotment nor allow a hospital to exceed the DSH limit. The following clarification of the process explains precautionary procedures. All the DSHS DSH programs' payments are prospective payments, and these programs are: LIDSH, MIDSH, GAUDSH, SRHAPDSH, THAPDSH, STHFPDSH, CTHFPDSH and PHDDSH.

DSH programs for which payments are fixed represent 84 percent of DSHS' disproportionate share payments to hospitals. The other two DSH programs, MIDSH and GAUDSH, are paid on a by-claims basis.

To adjust for these unknowns in the MIDSH and GAUDSH, MAA uses claims data and estimates what expected expenditures would be paid during the current state fiscal year. This estimate then becomes a part of the hospital's 100 percent limit.

The Medical Assistance Administration (MAA) will monitor payments monthly. Each month, MAA will receive an MI Summary Report and GAU Summary Report from the Medicaid Management Information System (MMIS) identifying expenditures paid to each hospital under the MIDSH and GAUDSH programs. Each month MAA will also receive the DSHS Allotment/Expenditure Transaction Register identifying the remaining DSH program expenditures. The figures in these reports will be accumulated monthly to determine that hospitals have not exceeded the DSH limit.

If a hospital reaches its DSH limit, payments will be stopped. The Department of Social and Health Services (DSHS) will determine the extent to which and how each DSH program is funded. Any specific guidance that may be provided by the State legislature will be followed by DSHS.

If a hospital exceeds its DSH limit, DSHS will recoup the DSH payments in the following program order: PHDDSH, THAPDSH, CTHFPDSH, STHFPDSH, SRHAPDSH, MIDSH, GAUDSH AND LIDSH. For example, if a hospital were receiving payments from all DSH programs, the overpayment adjustment would be made in PHDDSH to the fullest extent possible before adjusting THAPDSH payments. If the DSH state-wide allotment is exceeded, DSHS will similarly make appropriate adjustments in the program order shown above.

TN# 02-012 Approval Date: Effective Date: 08/08/02
Supersedes
TN# 01-020

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1. Low-Income Disproportionate Share Hospital (LIDSH) Payment

Hospitals shall be deemed eligible for a LIDSH payment adjustment if:

- a. The hospital's Medicaid inpatient utilization rate (as defined in Section 1923(b)(2)) is at least one standard deviation above the mean Medicaid inpatient utilization rate of hospitals receiving Medicaid payments in the State; or,
- b. The hospital's low-income utilization rate (as defined in Section 1923 (b) (3)) exceeds 25 percent.
- c. Except as specified in Section 1923 (d) (2), no eligible hospital may receive a disproportionate share payment adjustment unless the hospital has at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to Medicaid services.

Hospitals deemed eligible under the above criteria shall receive disproportionate share payment amounts that in total will equal the funding set by the State's appropriations act for LIDSH. The process of apportioning payments to individual hospitals is as follows:

A single base payment is selected that distributes the total LIDSH appropriation. For each hospital, the base payment is multiplied by the hospital's low income utilization factor standardized to one, by the hospital's most recent Fiscal Year case mix index by the hospital's subsequent year's estimated admissions of Title XIX eligibles. Results for all hospitals are summed and compared to the appropriated amount. If the sum differs from the appropriated amount, a new base payment figure is selected. The selection of base payment figures continues until the sum of the calculated payment equals the appropriated amount. The appropriation amount may vary from year to year. Each hospital's disproportionate share payment is made periodically.

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2. Medically Indigent Disproportionate Share Hospital (MIDSH)
payment

Effective July 1, 1994, hospitals shall be deemed eligible for a MIDSH payment if:

- a. The hospital is an in-state or border area hospital; and,
- b. The hospital provides services to low-income, Medically Indigent (MI) patients. MI persons are low-income individuals who are not eligible for any health care coverage and who are encountering an emergency medical condition; and,
- c. The hospital has a low-income utilization rate of one percent or more; and,
- d. The hospital has at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are eligible for Medicaid, provided the hospital offers non-emergency obstetric services to the general population and is not a rural hospital.

Hospitals qualifying for MIDSH payments will receive a periodic per claim payment. The payment is determined for each hospital by reducing the regular Medicaid payment by a ratable reduction factor and equivalency factor adjustment. The ratable reduction is inversely proportional to the percent of a hospital's gross revenue for Medicare, Medicaid, Labor and Industries, and charity. The equivalency factor reduction is a budget neutral adjustment applied to all hospitals. The equivalency factor ensures that MIDSH payments will equal the State's estimated MIDSH appropriation level.

Effective for admissions on or after July 1, 1994, the payment is reduced further by multiplying it by 97 percent. The resulting payment is directly related to the hospital's volume of services provided to low-income MI patients.

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This payment reduction adjustment is applied to the MIDSH methodology established and in effect as of September 30, 1991 in accordance with Section 3(b) of the "Medicaid Voluntary Contributions and Provider-Specific Tax Amendment of 1991."

3. General Assistance Unemployable Disproportionate Share Hospital (GAUDSH) payment

Effective July 1, 1994, hospitals shall be deemed eligible for a GAUDSH payment if:

- a. The hospital is an in-state or border area hospital; and,
- b. The hospital provides services to low-income, General Assistance Unemployable (GAU) patients. GAU persons are low-income individuals who are not eligible for any health coverage and who are encountering a medical condition; and,
- c. The hospital has a low-income utilization rate of one percent or more; and,
- d. The hospital has at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are eligible for Medicaid, provided the hospital offers non-emergency obstetric services to the general population and is not a rural hospital.

Hospitals qualifying for GAUDSH payments will receive a periodic per claim payment. The payment is determined for each hospital by reducing the regular Medicaid payment by a ratable reduction factor and equivalency factor adjustment. The ratable reduction is inversely proportional to the percent of a hospital's gross revenue for Medicare, Medicaid, Labor and Industries, and charity. The equivalency factor reduction is a budget neutral adjustment applied to all hospitals.

The equivalency factor insures that GAUDSH payments will equal the State's estimated GAUDSH appropriation level.

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4. Small Rural Hospital Assistance Program Disproportionate Share Hospital

Effective July 1, 1994, hospitals shall be deemed eligible for a Small Rural Hospital Assistance Program Disproportionate Share Hospital (SRHAPDSH) payment if:

- a. The hospital is an in-state (Washington) hospital; and
- b. The hospital provides at least one percent of its services to low-income patients in rural areas of the state; and
- c. The hospital is a small, rural hospital, defined as a hospital with fewer than 75 acute licensed beds and located in a city or town with a non-student population of 15,500 or less for state fiscal year (SFY) 2003 with this population standard to be increased by two percent each subsequent SFY; and
- d. The hospital qualifies under Section 1923(d) of the Social Security Act.

Hospitals qualifying for SRHAPDSH payments started earning payments under this plan July 1, 1994, from a legislatively appropriated pool. The apportionment formula is based on each SRHAPDSH hospital's Medicaid and other low-income reimbursement during the most current state fiscal year less any low income disproportionate share payments.

To determine each hospital's percentage of Medicaid payments, the sum of individual hospital payments is divided by the total Medicaid payments made to all SRHAPDSH hospitals during the most currently available state fiscal year. The percentage is then applied to the total dollars in the pool to determine each hospital's payment. Each Public Hospital's total DSH payments will not exceed a ceiling of 100 percent of the projected cost of care, cost is defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provision of the State Plan, plus the cost of services to uninsured patients, less any cash payments made by them.

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Dollars not allocated due to the limitation imposed by the 100 percent of the projected cost of care for Medicaid and Uninsured Indigent Patient ceiling are reallocated to the remaining hospitals in the SRHAPDSH pool. The payments are made periodically. SRHAPDSH payments are subject to federal regulation and payment limits.

5. Teaching Hospital Assistance Program Disproportionate Share Hospital (THAPDSH)

Effective July 1, 1994, teaching hospitals shall be deemed eligible for the Teaching Hospital Assistance Program Disproportionate Share Hospital (THAPDSH) program if they meet the following eligibility standards:

- a. The hospital must be a Washington State university hospital; and
- b. The hospital must have at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services. This standard does not apply to hospitals which do not offer non-emergency obstetric services to the general population; and
- c. The hospital must have a Medicaid low-income utilization of 20 percent or above.

Hospitals qualifying for THAPDSH payments started receiving payments under this plan July 1, 1994. THAPDSH payments will be made from a legislatively appropriated pool and are equally divided between THAPDSH qualified hospitals.

6. State Teaching Hospital Financing Program Disproportionate Share Hospital:

Effective June 15, 1997, hospitals shall be deemed eligible for a State Teaching Hospital Financing Program Disproportionate Share Hospital (STHFPDSH) if:

- a. The hospital provides at least 20 percent of its services to low-income patients; and,

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- b. The hospital is a Washington state-owned university hospital (border area hospitals are excluded); and,
- c. The hospital provides a major medical teaching program, defined as a hospital with more than 100 residents or interns; and,
- d. The hospital qualifies under section 1923(d) of the Social Security Act.

The hospitals deemed eligible under the above criteria shall receive a periodic disproportionate share payment amount of the legislatively appropriated pool only for disproportionate share payment to state and county teaching hospitals.

The STHFPDSH payments may vary and are contingent upon the federal allotment for state disproportionate share cap.

7. County Teaching Hospital Financing Program Disproportionate Share Hospital:

Effective July 1, 1993, hospitals shall be deemed eligible for a County Teaching Hospital Financing Program Disproportionate Hospital (CTHFPDSH) payment if:

- a. The hospital provides at least 25 percent of its services to low-income patients;
- b. The hospital is a county hospital in Washington State (border area hospitals are excluded);
- c. The hospital provides a major medical teaching program, defined as a hospital with more than 100 residents or interns; and,
- d. The hospital qualifies under section 1923 (d) of the Social Security Act.

The hospitals deemed eligible under the above criteria shall receive a periodic disproportionate share payment amount of the legislatively appropriated pool only for disproportionate share payments to state and county teaching hospitals. The CTHFPDSH payments may vary and are contingent upon the federal allotment for state disproportionate share cap.

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8. Public Hospital District Disproportionate Share Hospital:

Effective June 1, 1995, hospitals shall be deemed eligible for a Public Hospital District Disproportionate Hospital (PHDDSH) payment if:

- a. The hospital provides at least 1 percent of its services to low-income patients;
- b. The hospital is a Public District Hospital in Washington State (as of June 15, 1997, border area public hospitals are included);
- c. The hospital qualifies under section 1923 (d) of the Social Security Act.

Public hospital districts are organized and exist as a result of the Washington State Legislature's authorization of public hospital districts. Public hospital districts are authorized to own and operate hospitals and other health care facilities and to provide hospital services and other health care services for the residents of such districts and other persons. Border area public hospitals are border area hospitals owned by a public corporation or public hospital district in a border area state.

Hospitals that apply and are deemed eligible under the above criteria shall receive a disproportionate share payment for hospital services during the State's fiscal year that in total will not exceed 100 percent of cost as defined in Section 1923(g) of the Social Security Act. Each hospital will receive a payment based on the factors specified in Section 1923(g) of the Social Security Act.

Hospitals deemed eligible under the above criteria shall receive a periodic disproportionate share payment amount. The pool for PHDDSH payments is legislatively appropriated. The PHDDSH payments may vary and are contingent upon the federal allotment for state disproportionate share cap.

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G. CUSTOMARY CHARGE PAYMENT LIMITS

As required by 42 CFR 447.271, total Medicaid payments to each hospital for inpatient hospital services to Medicaid recipients shall not exceed the hospital's customary charges to the general public for the services. The state may recoup amounts of total Medicaid payments in excess of such charges.

H. ADMINISTRATIVE POLICIES

1. Provider Appeal Procedure

A hospital may appeal any aspect of its Medicaid payment rates by submitting a written notice of appeal and supporting documentation to the DSHS (the Medical Assistance Administration) except that no administrative appeals may be filed challenging the method described herein.

The grounds for rate adjustments include, but are not limited to, errors or omissions in the data used to establish rates, changes in capital costs due to licensing or certification requirements, and peer group change recommended by the Medical Assistance Administration.

Additional documentation, as specified by DSHS, may be required in order to complete the appeal review. DSHS (the Medical Assistance Administration) may have an audit and/or desk review conducted if necessary to complete the appeal review. A hospital may appeal its rates by submitting a written notice of appeal to the Rate Analysis Section, Medical Assistance Administration.

Unless the written rate notification specifies otherwise, a hospital rate appeal requesting retroactive rate adjustments must be filed within 60 days after being notified of an action or determination the hospital wishes to challenge. The notification date of an action or determination is the date of the written rate notification letter. A hospital rate adjustment appeal, filed after the 60-day period described in this subsection shall not be considered for retroactive adjustments.

When an appeal is made, all aspects of this rate may be reviewed by DSHS.

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Unless the written rate notification specifies otherwise, increases in rates resulting from an appeal filed within 60 days after the written rate notification letter that the hospital is challenging shall be effective retroactively to the effective date of the rate change as specified in the notification letter. Increases in rates resulting from a rate appeal filed after the 60-day period or exception period, shall be effective the date the appeal is filed with DSHS. Appeals resulting in rate decreases shall be effective on the date specified in the appeal decision notification.

A hospital may request a Dispute Conference to appeal an administrative review decision. The conference will be conducted by the MAA's Assistant Secretary or designee. The hospital must submit a request for a conference within 30 days of receipt of the administrative review decision. The Dispute Conference decision is the state agency's final decision regarding rate appeals.

2. Uniform Cost Reporting Requirements

Hospitals are required to complete and submit a copy of their annual Medicare cost reports (HCFA 2552), including Medicaid related data, to MAA. In addition, hospitals are required to submit other financial information as required by MAA to establish rates.

3. Financial Audit Requirements

Cost report data used for rate setting will be periodically audited.

In addition, hospital billings and other financial and statistical records will be periodically audited.

4. Rebasing & Recalibration

DSHS will rebase the Medicaid payment system on a periodic basis using each hospital's cost report for its fiscal year ending during the base year selected for the rebasing.

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I. PROPORTIONATE SHARE PAYMENTS FOR STATE AND COUNTY TEACHING HOSPITALS

1. A proportionate share pool is created each state fiscal year for supplemental payments to eligible providers of Medicaid patient services. Eligible providers are King County-owned or Washington State-operated teaching hospitals.
2. Funds retained will be used to improve health care services to low income patients.
3. The supplemental payments made to eligible teaching hospitals are subject to prior federal approval for obtaining federal matching funds for the supplemental payments. The supplemental funds are subject to the federal Medicare upper payment limit for hospital payments. The Medicare upper limit analysis will be performed prior to making the supplemental payments.
4. The ProShare payment for each payment year is determined as follows:

The cumulative difference between covered Title XIX inpatient charges and Title XIX payments and third party liability payments for all eligible hospitals during the most recent Federal Fiscal year becomes the total ProShare payment that will be distributed during the payment year. The source of the charge and payment data is the State's Medicaid Management Information System (MMIS) for the base year. Only charges and payments for inpatient hospital services are included in the computation, and the base year determined amount is not inflated to the payment year.

5. Payments will be distributed to the eligible teaching hospitals in proportion to Medicaid Charges Factor, the dollars resulting from the difference between Hospital Allowed Charges and Title XIX payment, including third party liability. The Medicaid Allowed Charges factor is specific to the base year. The supplemental payment will be at least annually during each federal fiscal year.

TN# 02-012
Supersedes
TN# -----

Approval Date: _____ Effective Date: 08/08/02